VILLAGE OF ESTERO, FLORIDA

RESOLUTION NO. 2015 - 66

A RESOLUTION OF THE VILLAGE COUNCIL OF THE VILLAGE OF ESTERO, FLORIDA, AUTHORIZING THE VILLAGE MANAGER TO INVEST SURPLUS FUNDS OF THE VILLAGE IN THE LOCAL GOVERNMENT TRUST FUND ADMINISTERED BY THE STATE BOARD OF ADMINISTRATION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, The Village of Estero from time to time has funds on hand in excess of current needs; and

WHEREAS, it is in the best interest of the Village of Estero and its inhabitants that funds be invested to return the highest yield consistent with proper safeguards;

NOW, THEREFORE, be it resolved by the Village Council of the Village of Estero, Florida:

<u>Section 1</u>. The Village Manager or Finance Director are hereby authorized to invest surplus funds of the Village of Estero in the Local Government Trust Fund administered by the State Board of Administration, and are hereby authorized to transmit such funds to the State Board of Administration to be invested according to applicable laws of the State of Florida consistent with the needs of the Village of Estero. Such authorization includes authority to withdraw funds from the State Board of Administration by giving timely notice and confirmation. This authorization shall be continuing in nature until revoked by the Village Council.

<u>Section 2</u>. This Resolution shall take effect immediately upon adoption.

ADOPTED BY THE VILLAGE COUNCIL of the Village of Estero, Florida this 21st day of October, 2015.

Attest: **VILLAGE OF ESTERO, FLORIDA**

By: ____________________________ By: ____________________________
Kathy Hall, MMC, Village Clerk Nicholas Batos, Mayor

Reviewed for legal sufficiency:

By: ____________________________
Burt Saunders, Village Attorney

Peter Lombardi

From: Peter Lombardi
Sent: Wednesday, October 07, 2015 3:20 PM
To: Village Council
Cc: Burt Saunders
Subject: FW: SBA Florida Investment Trust Fund Information
Attachments: SBA info to Village Council.pdf

Importance: High

Good Afternoon,

Attached is information you requested about the State Investment Trust Fund. Please let me know if you would like additional information and we'll see what else we can find.

Peter

From: Lisa Pace
Sent: Wednesday, October 07, 2015 2:06 PM
To: Peter Lombardi <lombardi@estero-fl.gov>
Subject: SBA Florida Investment Trust Fund Information

Peter,

Please find the attached information on the above Investment Trust Fund that was requested today.

Lisa Griggs Pace, CPA
Finance Director
Village of Estero
21500 Three Oaks Parkway
Estero, FL 33928
(239) 390-8000
(239) 390-8020 fax
www.Estero-FL.gov
e-mail: Pace@Estero-FL.gov

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

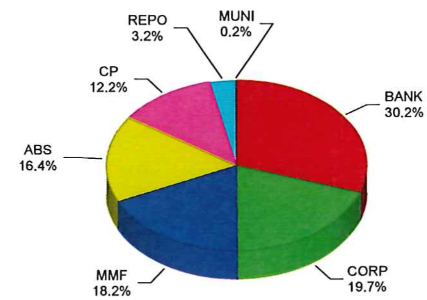
POOL PROFILE *March 26, 2015*

Florida PRIME

About the Pool

Pool Rating	**AAAm**
Pool Type	Stable NAV Government Investment Pool
Investment Adviser	State Board of Administration of Florida
	www.sbafla.com/prime
	850-488-7311
Portfolio Manager	Federated Investors, Inc. (Since 2008)
Pool Rated Since	December 2007
Custodian	Bank of New York Mellon Corp.

Portfolio Composition as of March 26, 2015



BANK - Bank Deposits; CORP - Corporate; MMF - Money Market Fund; ABS - Asset-backed security; CP - Commercial Paper; REPO - Repurchase Agreement; MUNI - Municipal Debt

Fund Highlights

- Florida PRIME has three layers of oversight: a board of trustees, a Participant Local Government Advisory Council (PLGAC) and an Investment Advisory Council (IAC).
- Florida PRIME is structured as an SEC regulated 'Rule 2a-7 like' money-market fund, with the primary objective of preservation of principal.
- Florida PRIME's net asset value (NAV) is monitored on a daily basis.

Rationale

Standard & Poor's rates Florida PRIME 'AAAm'. This rating is based on its analysis of the pool's credit quality, market price exposure, and management. The rating demonstrates that the fund has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. This is accomplished through conservative investment practices and strict internal controls. Standard & Poor's monitors investment pools that carry principal stability fund ratings (PSFRs) on a weekly basis.

Overview

Florida PRIME is an open-pool investment fund operated by the State Board of Administration (SBA) of Florida. The fund operates in the same manner as institutional money-market funds and is available to all Florida governmental entities. It operates essentially in the same fashion as a mutual funds and is open to non-pension assets of all Florida governmental entities.

'AAAm'-rated Florida PRIME will buy only money-market assets of the highest quality. Structured as a Rule 2a-7 like fund, it has two objectives: first, pool investments from participants in a portfolio of eligible securities that principally provide liquidity yet preserve capital; second, provide competitive yields that are net of fees. Florida PRIME's goal to preserve capital is consistent with its intent to maintain an NAV of $1.00. The fund's benchmark is the S&P AAA & AA Rated GIP All 30-Day Net Yield Index.

Management

Federated Investors, Inc. (Federated) is the investment manager for Florida PRIME. Federated is one of the largest institutional money-market fund managers in the United States. As of March 31, 2015, Federated managed $248.2 billion in money-market products. With $160.95 billion in 'AAA'-rated money-market funds, Federated is one of the two largest U.S. managers of money-market Funds of the highest credit quality as of February, 2015 according to iMoneyNet. Currently, Federated manages public sector money in all 50 states, servicing 3,500 public entities directly.

Portfolio Assets

Florida PRIME's investment policy guidelines were created to be Rule 2a-7 like as well as adhere to Standard & Poor's 'AAAm' guidelines. The weighted average maturity to reset (WAM(R)) for Florida PRIME will be managed to 60 days or less. The pool's guidelines allow for the purchase of only money-market assets of the highest quality (at least 50% rated 'A-1+' by Standard & Poor's and no more than 50% rated 'A-1') such as: U.S. Treasury and U.S. agency obligations; corporate obligations (including commercial paper and asset-backed commercial paper); municipal securities; bank obligations (such as certificates of deposit, banker's acceptances, time deposits); repurchase agreements; and money-market mutual funds.

Principal Stability Fund Ratings Definitions

AAAm A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by Standard & Poor's.

AAm A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

Am A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories

BBBm A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.

BBm A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Dm A fund rated 'Dm' has failed to maintain principal stability resulting in a realized or unrealized loss of principal.

Plus (+) or Minus (-)
The ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

Standard & Poor's Analyst: Barry Weiss - (212) 438-0240 www.standardandpoors.com

Participants should consider the investment objectives, risks and charges and expenses of the pool before investing. The investment guidelines which can be obtained from your broker-dealer, contain this and other information about the pool and should be read carefully before investing.

Principal Stability Rating Approach and Criteria

A Standard & Poor's principal stability fund rating, also known as a "money market fund rating", is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, Standard & Poor's analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and also its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value.

Generally, when faced with an unanticipated level of redemption requests during periods of high market stress, the manager of any fund may suspend redemptions for up to five business days or meet redemption requests with payments in-kind in lieu of cash. A temporary suspension of redemptions or meeting redemption requests with distributions in-kind does not constitute a failure to maintain stable net asset values. However, higher rated funds are expected to have stronger capacities to pay investor redemptions in cash during times of high market stress because they generally comprise shorter maturity and higher quality investments.

Principal stability fund ratings, or money market fund ratings, are identified by the 'm' suffix (e.g., 'AAAm') to distinguish the principal stability rating from a Standard & Poor's traditional issue or issuer credit rating. A traditional issue or issuer credit rating reflects Standard & Poor's view of a borrower's ability to meet its financial obligations. Principal stability fund ratings are not commentaries on yield levels.

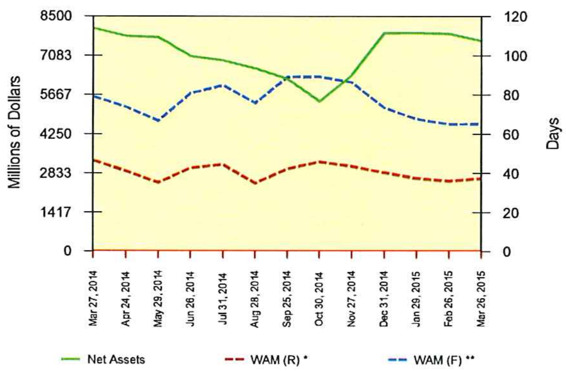
Florida PRIME — *AAAm*

Data Bank as of March 26, 2015

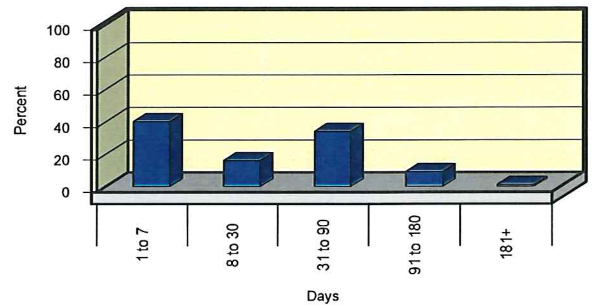
Net Asset Value per Share.............	$1.00000	Net Assets (millions)..................	$7,594.30	Inception Date......................	October 1977
WAM (R) *	37 days	WAM (F) **................................	65 days	7 Day Yield............................	0.17%

* Weighted Average Maturity (Reset) ** Weighted Average Maturity (Final)

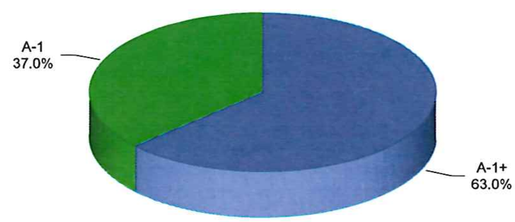
Net Assets, WAM (R) and WAM (F)



Portfolio Maturity Distribution as of March 26, 2015

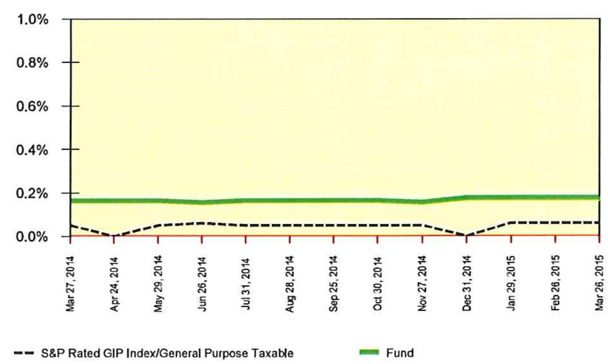


Portfolio Credit Quality as of March 26, 2015 *



*As assessed by Standard & Poor's

Portfolio 7 Day Net-Yield Comparison *



*S&P Money Fund Indices are calculated weekly by iMoneyNet, Inc., and are comprised of funds rated or assessed by S&P to within the specific rating categories. The S&P Rated GIP Indices are calculated weekly by S&P and are comprised of 'AAAm' and 'AAm' government investment pools.

The yield quoted represents past performance. Past performance does not guarantee future results. Current yield may be lower or higher than the yield quoted.

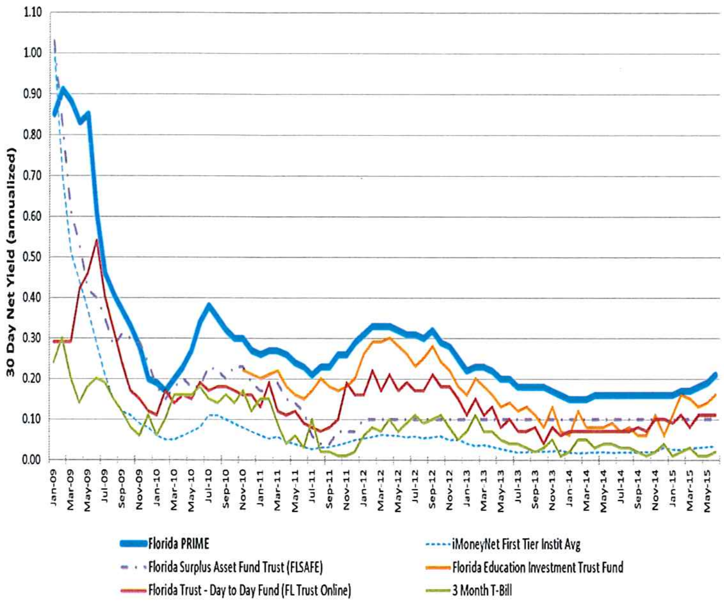
Pool portfolios are monitored weekly for developments that could cause changes in the ratings. Rating decisions are based on periodic meetings with senior pool executives and public information.

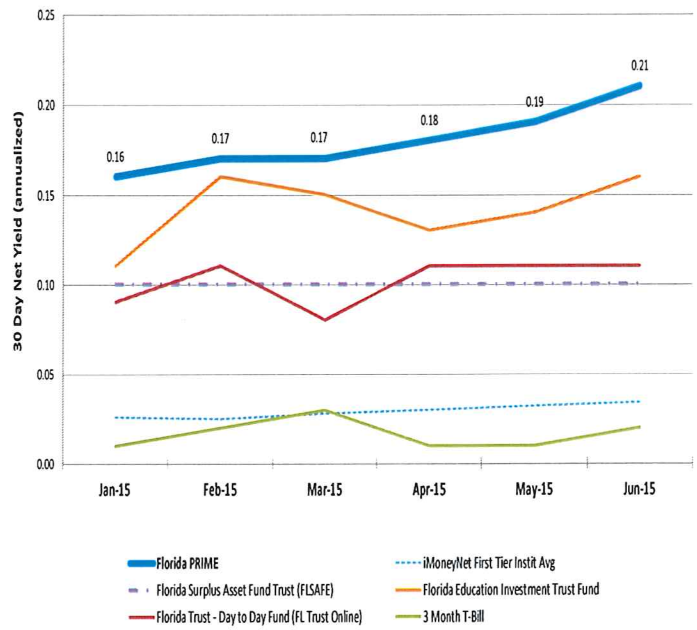
FLORIDA PRIME™

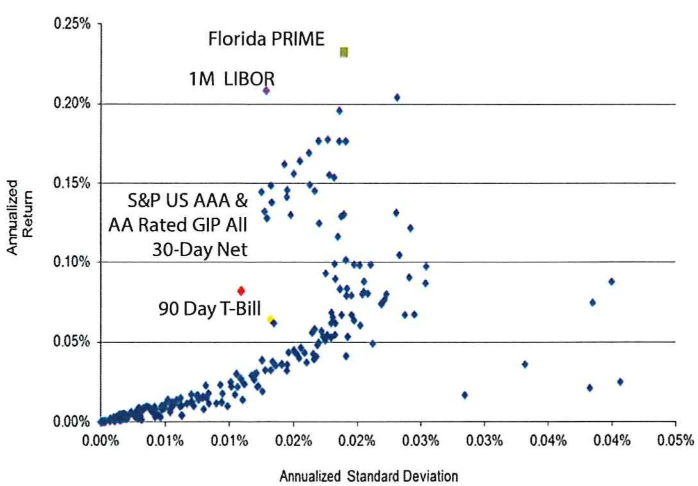
AN INVESTMENT SERVICE FOR PUBLIC FUNDS

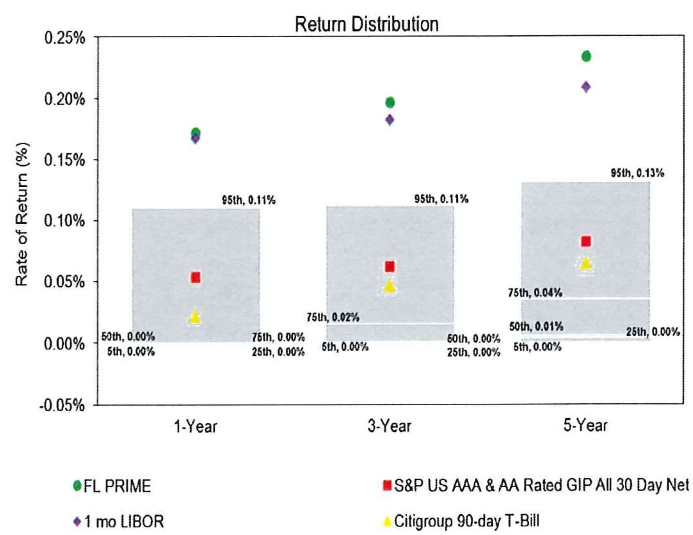
Performance Benchmarking

(As of June 30, 2015)









NOTE: Performance figures for non-SBA funds may be inflated due to the application of fee waivers, may be reported as a rolling 3 month average yield, or may not be available at the time of report production.

iMoneyNet

The SBA is a licensed user of the iMoneyNet Money Fund Average™ First Tier Institutional Average.

FLORIDA PRIME™
AN INVESTMENT SERVICE FOR PUBLIC FUNDS

Disclosure Statement
For Participation in the Local Government Surplus Funds Trust Fund (Florida PRIME)

This Disclosure Statement (the "Statement") is made and entered into by and between the State Board of Administration of Florida (the "SBA") and ______________________________ (the "Participant").

WHEREAS, Chapter 218.405, Florida Statutes, creates a public funds investment pool to which any local government of the State of Florida may delegate, by Authorizing Resolution, the authority to hold legal title as custodian and to make investments purchased with local surplus funds;

WHEREAS, the SBA is authorized pursuant to Chapter 218.409, Florida Statutes to receive, transfer, and disburse surplus money and securities belonging to "units of local governments" of the state (as defined herein);

WHEREAS, the Local Government Surplus Funds Trust Fund (Florida PRIME) is a public funds investment pool, which funds are invested in certain eligible investments as more fully described in the enrollment materials;

WHEREAS, the SBA is authorized pursuant to Section 215.44, Florida Statutes to invest the funds of state agencies, state universities and colleges and direct support organizations of any of the foregoing in Florida PRIME;

WHEREAS, the Participant has determined that it is authorized to invest in Florida PRIME created under the Florida Statutes and has adopted the required Authorizing Resolution to permit the SBA to invest and reinvest funds of the Participant in Florida PRIME;

WHEREAS, the Participant acknowledges that the SBA is not responsible for independently verifying the Participant's authority to invest under the statutes;

WHEREAS, the Participant acknowledges that the performance of Florida PRIME is not guaranteed by the State of Florida, the SBA or any other governmental entities; and

NOW THEREFORE, for and in consideration of the mutual promises, covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree with each other as follows:

The Disclosure Statement. The Participant must execute this Disclosure Statement, an Authorizing Resolution and a completed Participant Account Maintenance Form designating person(s) to serve as Authorized Representatives of the Participant before depositing any funds into Florida PRIME.

Acknowledgement of Disclosure. The following signatory is a duly appointed, acting, and qualified officer of the Participant, who, in the capacity set forth above is authorized to execute this Statement. Further the Participant hereby acknowledges receipt and review of these enrollment materials which includes the New Participant Enrollment Guide, Authorizing Resolution, this Disclosure Statement, Florida PRIME Investment Policy Statement, applicable Rules, and other historical financial information also posted on the Florida PRIME website. At the SBA's discretion, modifications to these documents may be posted on the Florida PRIME website. The Participant will have up to 45 days to withdraw their funds from the Florida PRIME or the modifications will be deemed accepted by the Participant.

______________________________ ______________________________

PARTICIPANT NAME: DATE:

______________________________ ______________________________

SIGNATURE: TITLE:

______________________________ ______________________________

PRINTED NAME: EMAIL:

Approved by SBA Trustees on June 23, 2015

Investment Policy Statement
Local Government Surplus Funds Trust Fund (Non-Qualified)
Effective July 1, 2015

I. Purpose and Scope

The purpose of this Investment Policy Statement ("Policy") is to set forth the investment objective, investment strategies, and authorized portfolio securities for the Local Government Surplus Funds Trust Fund ("Florida PRIME"). The Policy also describes the risks associated with an investment in Florida PRIME. This Policy does not relate to Fund B as defined in Section 218.421, Florida Statutes.

II. Overview of Florida PRIME

The Local Government Surplus Funds Trust Fund was created by an Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes). The State Board of Administration ("SBA") is charged with the powers and duties to administer and invest Florida PRIME, in accordance with the statutory fiduciary standards of care as contained in Section 215.47(9), Florida Statutes. The SBA has contracted with Federated Investment Counseling (the "Investment Manager") to provide investment advisory services for Florida PRIME.

Florida PRIME is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, "Applicable Florida Law").

III. Roles and Responsibilities

The Board of Trustees of the SBA ("Trustees") consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees will annually certify that Florida PRIME is in compliance with the requirements of Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to Applicable Florida Law. The Trustees appoint an Investment Advisory Council and a Participant Local Government Advisory Council. Both Councils will, at least annually, review this Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law.

IV. Amortized Cost Accounting

In March 1997, the Governmental Accounting Standards Board ("GASB") issued Statement 31, titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 applies to Florida PRIME.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act")." Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of $1.00 per share, provided that such funds meet certain conditions.

Florida PRIME will operate in a manner consistent with the diversification, credit quality and maturity conditions of Rule 2a-7. Accordingly, it qualifies for "2a-7 like" status under GASB 31, and is thereby permitted to use the amortized cost method to maintain a stable NAV of $1.00 per share.

V. Investment Objective

The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of Florida PRIME will be evaluated on a monthly basis against the Standard & Poor's U.S. AAA & AA Rated GIP All 30 Day Net Yield Index. While there is no assurance that Florida PRIME will achieve its investment objectives, it endeavors to do so by following the investment strategies described in this Policy.

VI. Investment Strategies & Specific Limitations

The Investment Manager will invest Florida PRIME's assets in short-term, high-quality fixed income securities. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations ("NRSROs"), or be deemed to be of comparable quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager also may enter into special transactions for Florida PRIME, like repurchase agreements. Each repurchase agreement counterparty must have an explicit issuer or counterparty credit rating in the highest short-term rating category from Standard & Poor's. Certain of the fixed -income securities in which Florida PRIME invests pay interest at a rate that is periodically adjusted ("Adjustable Rate Securities").

The Investment Manager will manage credit risk by purchasing only high quality securities. The Investment Manager will perform a credit analysis to develop a database of issuers and securities that meet the Investment Manager's standard for minimal credit risk. The Investment Manager monitors the credit risks of all Florida PRIME's portfolio securities on an ongoing basis by reviewing periodic financial data, issuer news and developments, and ratings of certain NRSROs. The Investment Manager will utilize a "new products" or similar committee to review and approve new security structures prior to an investment of Florida PRIME's assets in such securities. The Investment Manager will periodically consider and follow best practices in connection with minimal credit risk determinations (e.g., such as those described in Appendix I of the Investment Company Institute's 2009, *Report of the Money Market Working Group).*

The Investment Manager will manage interest rate risk by purchasing only short-term fixed income securities. The Investment Manager will target a dollar-weighted average maturity range for Florida PRIME based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board's monetary policy. The Investment Manager will generally shorten Florida PRIME's dollar-weighted average maturity when it expects interest rates to rise and extend Florida PRIME's dollar-weighted average maturity when it expects interest rates to fall. The remaining maturity of securities purchased by the Investment Manager shall not exceed 762 days for government floating rate notes/variable rate notes and will not exceed 397 days for all other securities.

The Investment Manager will exercise reasonable care to maintain (i) a dollar weighted average maturity ("DWAM") of 60 days or less; and (ii) a maximum weighted average life (WAL) within the range of 90-120 days, depending on the levels of exposure and ratings of certain Adjustable Rate Securities. The maximum WAL will depend upon the percentage exposures to government and non-government Adjustable Rate Securities, with sovereign (government) Adjustable Rate Securities rated AA- and higher allowed a 120-day limit, and non-sovereign (corporate) Adjustable Rate Securities (and sovereign Adjustable Rate Securities rated below AA-) restricted to a 90-day limit. The portfolio's maximum

WAL will be based on a weighted average of the percentage exposures to each type of floating-rate instrument.

For purposes of calculating DWAM, the maturity of an Adjustable Rate Security generally will be the period remaining until its next interest rate adjustment. For purposes of calculating WAL, the maturity of an Adjustable Rate Security will be its stated final maturity, without regard to interest rate adjustments; accordingly, the WAL limitation could serve to restrict Florida PRIME's ability to invest in Adjustable Rate Securities.

The Investment Manager will exercise reasonable care to limit exposure to not more than 25% of Florida PRIME's assets in a single industry sector, with the exception that the Investment Manager may invest more than 25% in the financial services industry sector, which includes banks, broker-dealers, and finance companies. This higher limit is in recognition of the large outstanding value of money fund instruments issued by financial services firms. Government securities are not considered to be an industry.

The Investment Manager will exercise reasonable care to not acquire a security, other than (i) a Daily Liquid Asset, if immediately after the acquisition Florida PRIME would have invested less than 10% of its total assets in Daily Liquid Assets; (ii) a Weekly Liquid Asset, if immediately after the acquisition Florida PRIME would have invested less than 30% of its total assets in Weekly Liquid Assets. Daily Liquid Assets include cash, direct obligations of the U.S. government and securities that convert to cash in one business day. Weekly Liquid Assets include cash, direct obligations of the U.S. government, certain government securities with remaining maturities of 60 business days or less and securities that convert to cash in five business days.

The Investment Manager will exercise reasonable care to not acquire securities that cannot be sold or disposed of in the ordinary course of business within seven days at approximately the value ascribed to them by Florida PRIME if, immediately after the acquisition, Florida PRIME would have invested more than 5% of its total assets in such securities.

In buying and selling portfolio securities for Florida PRIME, the Investment Manager will comply with (i) the diversification, maturity and credit quality conditions imposed by Rule 2a-7 under the 1940 Act, (ii) the requirements imposed by any NRSRO that rates Florida PRIME to ensure that it maintains a AAAm rating (or the equivalent) and (iii) the investment limitations imposed by Section 215.47, Florida Statutes.

The Investment Manager generally will comply with the following diversification limitations that are additional to those set forth in Rule 2a-7. First, at least 50% of Florida PRIME assets will be invested in securities rated "A-1+" or those deemed to be of comparable credit quality thereto by the Investment Manager (i.e., so long as such deeming is consistent with the requirements of the NRSRO's AAAm (or equivalent) rating criteria), subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager will document each instance in which a security is deemed to be of comparable credit quality and its basis for such a determination. Second, exposure to any single non-governmental issuer will not exceed 5% and exposure to any single money market mutual fund will not exceed 10% of Florida PRIME assets.

VII. Portfolio Securities and Special Transactions

The Investment Manager will purchase only fixed income securities for Florida PRIME, and may engage in special transactions, for any purpose that is consistent with Florida PRIME's investment objective.

Fixed income securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. The fixed income securities in which Florida PRIME may invest include corporate debt securities, bank instruments, asset backed securities, U.S. Treasury securities, U.S. government agency securities, insurance contracts, municipal securities, foreign securities, mortgage backed securities, and shares of money market mutual funds. However, Florida PRIME is not permitted to buy such fixed income securities to the extent that they require Florida PRIME to be a qualified institutional buyer.

Special transactions are transactions into which Florida PRIME may enter, including, but not limited to, repurchase agreements and delayed delivery transactions.

For a more detailed description of Florida PRIME's portfolio securities and special transactions, please see "Additional Information Regarding Florida PRIME's Principal Securities" at Appendix A.

VIII. Risks Associated with Florida PRIME

An investment in Florida PRIME is subject to certain risks. Any investor in Florida PRIME should specifically consider, among other things, the following principal risks before making a decision to purchase shares of Florida PRIME.

Risk that Florida PRIME will not Maintain a Stable Net Asset Value

Although the Investment Manager attempts to manage Florida PRIME such that it maintains a stable NAV of $1.00 per share, there is no guarantee that it will be able to do so. Florida PRIME is not registered under the 1940 Act or regulated by the SEC.

Interest Rate Risks

The prices of the fixed income securities in which Florida PRIME will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities.

Credit Risks

Credit risk is the possibility that an issuer of a fixed income security held by Florida PRIME will default on the security by failing to pay interest or principal when due. If an issuer defaults, Florida PRIME will lose money.

Liquidity Risks

Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, Florida PRIME may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on Florida PRIME's performance.

Concentration Risks

A substantial part of Florida PRIME may be comprised of securities issued by companies in the financial services industry, companies with similar characteristics, or securities credit enhanced by banks or companies with similar characteristics. As a result, Florida PRIME may be more susceptible to any economic, business, or political risks or other developments that generally affect finance companies. Developments affecting companies in the financial services industry or companies with similar characteristics might include changes in interest rates, changes in the economic cycle affecting credit losses and regulatory changes.

Risks of Foreign Investing

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets also may be subject to taxation policies that reduce returns for U.S. investors.

Call Risks

If a fixed income security is called, Florida PRIME may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Prepayment Risks

Unlike traditional fixed income securities, which pay a fixed rate of interest until maturity (when the entire principal amount is due), payments on asset-backed securities include both interest and a partial payment of principal. Partial payment of principal may be comprised of scheduled principal payments as well as unscheduled payments from voluntary prepayment, refinancing, or foreclosure of the underlying loans. If Florida PRIME receives unscheduled prepayments, it may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Risks Associated with Amortized Cost Method of Valuation

Florida PRIME will use the amortized cost method to determine the value of its portfolio securities. Under this method, portfolio securities are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value. Accordingly, neither the amount of daily income nor the NAV is affected by any unrealized appreciation or depreciation of the portfolio. In periods of declining interest rates, the indicated daily yield on shares computed by dividing the annualized daily income on Florida PRIME's portfolio by the NAV, as computed above, may tend to be higher than a similar computation made by using a method of valuation based on market prices and estimates. In periods of rising interest rates, the opposite may be true.

Changing Distribution Level Risk

There is no guarantee that Florida PRIME will provide a certain level of income or that any such income will exceed the rate of inflation. Further, Florida PRIME's yield will vary. A low interest rate environment may prevent Florida PRIME from providing a positive yield or paying expenses out of current income.

Throughout this section, it shall be understood that actions described as being taken by Florida PRIME refer to actions taken by the Investment Manager on behalf of Florida PRIME.

For additional information regarding Florida PRIME's principal securities and associated risks, please see Appendix A.

IX. Controls and Escalation Procedures

Section 218.409(2), Florida Statutes requires this Policy to document a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls include formal escalation reporting guidelines for all employees to address material impacts on Florida PRIME that require reporting and action.

The SBA has engaged BNY Mellon ("Custodian") to provide asset safekeeping, custody, fund accounting and performance measurement services to Florida PRIME. The Custodian will mark to market the portfolio holdings of Florida PRIME on a daily basis and will daily communicate both amortized cost price and mark to market price, so that the SBA and the Investment Manager can monitor the deviations between the amortized cost price and market price. By contractual agreement, the Investment Manager will reconcile accounting and performance measurement reports with the Custodian on at least a monthly basis, under the supervision of the SBA.

The NRSRO that rates Florida PRIME will perform regular independent surveillance of Florida PRIME. The SBA and an independent investment consultant will regularly monitor the Investment Manager with respect to performance and organizational factors according to SBA manager monitoring policies.

The SBA and third parties used to materially implement Florida PRIME will maintain internal control, fraud and ethics policies and procedures designed to prevent the loss of public funds.

The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board, and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group to regularly review, document and formally escalate compliance exceptions and events that may have a material impact on Florida PRIME. Minutes of the Investment Oversight Group's meetings and a listing of meeting participants shall be timely posted on the Florida PRIME website.

The Investment Oversight Group will meet and report monthly to the Executive Director, except upon the occurrence of a material event. The SBA and the Investment Manager have an affirmative duty to immediately disclose any material impact on Florida PRIME to the participants, including, but not limited to:

1. When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.25%, according to pricing information provided by the Custodian, the Investment Manager will establish a formal action plan. The Investment Oversight Group will review the formal action plan and prepare a recommendation for the Executive Director's consideration.

2. When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.50%, according to pricing information provided by the Custodian, the Executive Director will promptly consider what action, if any, will be initiated. Where the Executive Director believes the extent of any deviation from Florida PRIME's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause Florida PRIME to take such action as he deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

3. The Investment Manager will perform daily compliance monitoring to ensure that investment practices comply with the requirements of this Policy, according to documented compliance procedures. The Investment Manager will provide regular compliance reports and will communicate compliance exceptions within 24 hours of identification to the Investment Oversight Group. Additionally, the Investment Oversight Group will periodically conduct independent compliance reviews.

4. In the event that a security receives a credit rating downgrade and ceases to be in the highest rating category, or the Investment Manager determines that the security is no longer of comparable quality to the highest short-term rating category (in either case, a "Downgrade"), the Investment Manager will reassess whether the security continues to present minimal credit risk and will cause Florida PRIME to take any actions determined by the Investment Manager to be in the best interest of Florida PRIME; provided however, that the Investment Manager will not be required to make such reassessments if Florida PRIME disposes of the security (or the security matures) within five business days of the Downgrade.

5. In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a determination that the security no longer presents minimal credit risks, or other material event ("Affected Security"), the Investment Manager must dispose of the security as soon as practical, consistent with achieving an orderly disposition of the security, by sale, exercise of a demand feature or otherwise. An Affected Security may be held only if the Executive Director has determined, based upon a recommendation from the Investment Manager and the Investment Oversight Group, that it would not be in the best interest of Florida PRIME to dispose of the security taking into account market conditions that may affect an orderly disposition.

6. The Investment Manager will monthly stress test Florida PRIME and at least quarterly report the results of the stress tests to the Investment Oversight Group. Stress tests must be conducted for at least the following events, or combinations of events (i) a change in short-term interest rates; (ii) an increase in net shareholder redemptions; (iii) downgrades or defaults; and (iv) changes between a benchmark overnight interest rate and the interest rates on securities held by Florida PRIME.

The Investment Manager will at least annually provide the Investment Oversight Group with: (i) their documented compliance procedures; (ii) an assessment of Florida PRIME's ability to withstand events reasonably likely to occur in the coming year and (iii) their list of NRSROs utilized as a component of the credit risk monitoring process.

The Executive Director's delegated authority as described in this section is intended to provide him with sufficient authority and operating flexibility to make professional investment decisions in response to changing market and economic conditions. Nonetheless, the Trustees will at least monthly review and approve management summaries of material impacts on Florida PRIME, any actions or escalations taken thereon, and carry out such duties and make such determinations as are otherwise necessary under applicable law, regulation or rule.

Pursuant to Florida law, the Auditor General will conduct an annual financial audit of Florida PRIME, which will include testing for compliance with this Policy.

X. Deposits and Withdrawals

Investors should refer to the separate Florida PRIME Operating Procedures for detailed descriptions regarding how to make deposits in and withdrawals from Florida PRIME, including (1) any fees and limitations that may be imposed with respect thereto; and (2) reports provided to participants.

XI. Management Reporting

The Executive Director will be responsible for providing the formal periodic reports to the Trustees, legislative committees and other entities:

1. An annual report on the SBA and its investment portfolios, including that of Florida PRIME.
2. A monthly report on performance and investment actions taken.
3. Special reports pursuant to Chapter 218, Florida Statutes.

Appendix A
Additional Information Regarding Florida PRIME's Principal Securities

Throughout this appendix it shall be understood that actions described as being taken by Florida PRIME refer to actions taken by the Investment Manager on behalf of Florida PRIME.

FIXED INCOME SECURITIES

Corporate Debt Securities

Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. Florida PRIME also may purchase interests in bank loans to companies.

COMMERCIAL PAPER

Commercial paper is an issuer's obligation with a maturity of less than nine months. Companies typically issue commercial paper to pay for current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. If the issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default.

DEMAND INSTRUMENTS

Demand instruments are corporate debt securities that the issuer must repay upon demand. Other demand instruments require a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. Florida PRIME treats demand instruments as short-term securities, even though their stated maturity may extend beyond one year.

Bank Instruments

Bank instruments are unsecured interest bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and banker's acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.

Florida PRIME will not invest in instruments of domestic and foreign banks and savings and loans unless they have capital, surplus, and undivided profits of over $100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund which are administered by the Federal Deposit Insurance Corporation. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Euro-dollar Time Deposits.

Asset Backed Securities

Asset backed securities are payable from pools of obligations, most of which involve consumer or commercial debts. However, almost any type of fixed income assets (including other fixed income securities) may be used to create an asset backed security. Asset backed securities may take the form of commercial paper, notes or pass-through certificates.

Government Securities

Government security means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.

U.S. Treasury Securities

U.S. Treasury securities are direct obligations of the federal government of the United States. U.S. Treasury securities are generally regarded as having the lowest credit risks.

Agency Securities

Agency securities are issued or guaranteed by a federal agency or other government sponsored entity (GSE) acting under federal authority. Some GSE securities are supported by the full faith and credit of the United States. These include securities issued by the Government National Mortgage Association, Small Business Administration, Farm Credit System Financial Assistance Corporation, Farmer's Home Administration, Federal Financing Bank, General Services Administration, Department of Housing and Urban Development, Export-Import Bank, Overseas Private Investment Corporation, and Washington Metropolitan Area Transit Authority.

Other GSE securities receive support through federal subsidies, loans or other benefits. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. These include securities issued by the Farm Credit System, Financing Corporation, and Resolution Funding Corporation.

Investors regard agency securities as having low credit risks, but not as low as Treasury securities. Florida PRIME treats mortgage-backed securities guaranteed by a GSE as if issued or guaranteed by a federal agency. Although such a guarantee protects against credit risks, it does not reduce market risks.

Insurance Contracts

Insurance contracts include guaranteed investment contracts, funding agreements and annuities. Florida PRIME treats these contracts as fixed income securities.

Municipal Securities

Municipal securities are issued by states, counties, cities and other political subdivisions and authorities.

Foreign Securities

Foreign securities are U.S. dollar-denominated securities of issuers based outside the United States. Florida PRIME considers an issuer to be based outside the United States if:

- it is organized under the laws of, or has a principal office located in, another country;
- the principal trading market for its securities is in another country; or
- it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue or profit from goods produced, services performed or sales made in another country.

Mortgage Backed Securities

Mortgage backed securities represent interests in pools of mortgages. The mortgages that comprise a pool normally have similar interest rates, maturities and other terms. Mortgages may have fixed or adjustable interest rates. Interests in pools of adjustable rate mortgages are known as ARMs.

Zero Coupon Securities

Certain of the fixed income securities in which Florida PRIME invests are zero coupon securities. Zero coupon securities do not pay interest or principal until final maturity, unlike debt securities that provide periodic payments of interest (referred to as a "coupon payment"). Investors buy zero coupon securities at a price below the amount payable at maturity. The difference between the purchase price and the amount paid at maturity represents interest on the zero coupon security. Investors must wait until maturity to receive interest and principal, which increases the interest rate and credit risks of a zero coupon security.

Callable Securities

Certain of the fixed income securities in which Florida PRIME invests are callable at the option of the issuer. Callable securities are subject to reinvestment risks.

144A Securities

The SBA has determined that Florida PRIME constitutes (i) an "accredited investor" as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933, as amended (the "Securities Act"), as long as Florida PRIME has total assets in excess of $5,000,000 and (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A)(iv) of the 1940 Act, as long as Florida PRIME in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, but does not constitute a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act. Florida PRIME is restricted from purchasing or acquiring securities or investments that would require Florida PRIME to represent in connection with such purchase or acquisition that it is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act.

Money Market Mutual Funds

Florida PRIME may invest in shares of registered investment companies that are money market mutual funds, including those that are affiliated with the Investment Manager, as an efficient means of implementing its investment strategies and/or managing its uninvested cash. These other money market mutual funds are managed independently of Florida PRIME and incur additional fees and/or expenses that would, therefore, be borne indirectly by Florida PRIME in connection with such investment. However, the Investment Manager believes that the benefits and efficiencies of this approach should outweigh the potential additional fees and/or expenses. The Investment Manager must obtain prior written consent of the SBA to invest Florida PRIME in money market mutual funds that are "affiliated persons" of the Investment Manager.

SPECIAL TRANSACTIONS

The Investment Manager on behalf of Florida PRIME may engage in the following special transactions.

Repurchase Agreements

A repurchase agreement is a transaction in which Florida PRIME buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting Florida PRIME's return on the transaction. This return is unrelated to the interest rate on the underlying security. Florida PRIME will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Investment Manager.

Florida PRIME's custodian or subcustodian will take possession of the securities subject to repurchase agreements. The Investment Manager or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

Delayed Delivery Transactions

Delayed delivery transactions, including when-issued transactions, are arrangements in which Florida PRIME buys securities for a set price, with payment and delivery of the securities scheduled for a future time. During the period between purchase and settlement, no payment is made by Florida PRIME to the issuer and no interest accrues to Florida PRIME. Florida PRIME records the transaction when it agrees to buy the securities and reflects their value in determining the price of its units. Settlement dates may not be more than seven business days after entering into these transactions; nonetheless, the market values of the securities bought may vary from the purchase prices. Therefore, delayed delivery transactions create interest rate risks for Florida PRIME. Delayed delivery transactions also involve credit risks in the event of a counterparty default.

Asset Coverage

In order to secure its obligations in connection with special transactions, Florida PRIME will either own the underlying assets, enter into an offsetting transaction or set aside readily marketable securities with a value that equals or exceeds Florida PRIME's obligations. Unless Florida PRIME has other readily marketable assets to set aside, it cannot trade assets used to secure such obligations without terminating a special transaction. This may cause Florida PRIME to miss favorable trading opportunities or to realize losses on special transactions.

Help | Forget me on this computer (Log Out)

SunTrust

Secured Message

Reply ReplyAll

From: Mccoy.Joshua.A <Joshua.A.Mccoy@SunTrust.com>
To: Lisa Pace <pace@estero-fl.gov>, Robinson.Iris <Iris.Robinson@SunTrust.com>
CC: Roman.Maria <Maria.Roman@SunTrust.com>
Date: 09/23/2015 01:24:40 PM GMT
Subject: RE: sweep account - VILLAGE OF ESTERO [secure]

Good morning Lisa-

In accordance with Chapter 280 of the Florida State Statute the only sweep account type that would qualify as compliant for Pubic Funds is a Repo Sweep. This Sweep type is currently paying 0.01% and the fee for this sweep service would be $100 a month. Given the low rate environment and the cost of a sweep, we currently do not have any or our Florida government clients in a sweep at this time. The creation of the SunTrust Public Fund Advantage NOW Hybrid account was the result of the lack of one account options for our Government clients in this rate environment. This hybrid account is currently paying 0.10% and there is no fee for the mechanism that allow the funds to earn interest. Iris provide the Account Analysis Statement in her previous email which is the statement type that will outline the mechanics of the earnings credit and interest earnings. Note, the standard monthly Bank Statement will not list the interest rate earned.

If the Village elects to utilize a sweep, the service can be added to the existing account and a peg balance would be need to be advised.

The most common practice of managing excess cash and reserves of our government clients is the direct investment into US Treasuries and Agencies, which are allowable under Chapter 280 of the FL ST. Our Liquidity group at the bank can provide an overview and rates of these options.

Feel free to contact me directly if you any questions.

Thank you,
Josh

Institutional & Government Relationship Manager | SunTrust Bank
941.951.3005 (O) | 941.961.3583 (C) | 941.951.3244 (F)

SunTrust
How Can We Help You Shine?

From: Lisa Pace [mailto:pace@estero-fl.gov]
Sent: Wednesday, September 23, 2015 8:52 AM
To: Robinson.Iris
Cc: Roman.Maria; Mccoy.Joshua.A
Subject: RE: sweep account - VILLAGE OF ESTERO [secure]

Iris,

The Village Council has asked that we obtain the rate for the sweep account for consideration. We would like to have the July 2015 rate.

Also, if we cannot participate in both the "earnings credit" and the sweep, please let us know.

Thanks.

Lisa Griggs Pace, CPA
Finance Director
Village of Estero
21500 Three Oaks Parkway
Estero, FL 33928
(239) 390-8000
(239) 390-8020 fax
www.Estero-FL.gov
e-mail: Pace@Estero-FL.gov

From: Robinson.Iris [mailto:Iris.Robinson@SunTrust.com]
Sent: Tuesday, September 22, 2015 5:30 PM
To: Lisa Pace <pace@estero-fl.gov>
Cc: Roman.Maria <Maria.Roman@SunTrust.com>; Mccoy.Joshua.A <Joshua.A.Mccoy@SunTrust.com>
Subject: FW: sweep account - VILLAGE OF ESTERO [secure]

We have delivered this message to your mailbox securely.

Protecting your privacy is important to SunTrust. We continue to provide a solid financial foundation by improving the way we deliver sensitive or private data via email. One way is through the use of encryption technology, which seals email in a secure envelope prior to being sent. This envelope masks the information contained in the email while in transit, and enables additional security.

Read your secure message by opening the attachment, securedoc_20150922T172932.html. You will be prompted to open (view) the file or save (download) it to your computer. For best results, save the file first, then open it in a Web browser.

If you have concerns about the validity of this message, contact the sender directly.

Please note: This message will expire within 30 days of receipt.

Help - https://res.cisco.com/websafe/help?topic=RegEnvelope
About Cisco Registered Email Service - https://res.cisco.com/websafe/about

Reply ReplyAll

Login (https://www.sbafla.com/prime/Login/tabid/618/Default.aspx?returnurl=%2fprime%2f)

(https://www.sbafla.com/prime/Home/tabid/521/Default.aspx)

Monthly Summary Report (/Prime/LinkClick.aspx?link=563&tabid=567)
Pool Performance (/Prime/LinkClick.aspx?link=564&tabid=567)
Risk Management & Oversight (/Prime/LinkClick.aspx?link=565&tabid=567)
Enrollment Materials (/Prime/LinkClick.aspx?link=566&tabid=567)
Financial
Education

Florida PRIME is the best investment value for Florida local governments. Read More (/prime/Portals/8/20150630_FloridaPRIMEOverviewSheet2Q15.pdf)

Fund Values

As of: 9/14/2015
- Net Asset Value: 0.999942273
- Market Value: $6,551,050,382.64
- Amortized Cost: $6,551,428,574.80
- 1-Day SEC Yield: 0.22
- 7-Day SEC Yield: 0.23
- 30-Day SEC Yield: 0.23

Glossary of Terms

Latest News

Holiday Schedule

1/1/2015	New Year's Day
1/19/2015	Martin Luther King Day
2/16/2015	President's Day
4/3/2015	Good Friday
5/25/2015	Memorial Day
7/3/2015	Independence Day
9/7/2015	Labor Day
10/12/2015	Columbus Day
11/11/2015	Veterans Day
11/26/2015	Thanksgiving Day
11/27/2015	After Thanksgiving
12/25/2015	Christmas Day

2016

Community National Bank

Rates Effective: Thursday, September 10, 2015
Wall Street Prime: 3.25%

CDs & IRAs - Fixed Rates

CD TERM	Minimum Balance to Earn APY $1,000 TO $99,999.99		CD TERM	Minimum Balance to Earn APY $100,000 & OVER	
	INTEREST RATE	*ANNUAL PERCENTAGE YIELD (APY)		INTEREST RATE	*ANNUAL PERCENTAGE YIELD (APY)
30 - 59 Days	0.05%	0.05%	30 - 59 Days	0.05%	0.05%
60 - 89 Days	0.05%	0.05%	60 - 89 Days	0.05%	0.05%
90 - 179 Days	0.10%	0.10%	90 - 179 Days	0.10%	0.10%
180 - 364 Days	0.20%	0.20%	180 - 364 Days	0.20%	0.20%
12 Month	0.30%	0.30%	12 Month	0.35%	0.35%
18 Month	0.40%	0.40%	18 Month	0.40%	0.40%
24 Month	0.45%	0.45%	24 Month	0.45%	0.45%
36 Month	0.50%	0.50%	36 Month	0.55%	0.55%

IRA TERM	Minimum Balance to Earn APY $1,000 TO $99,999.99		IRA TERM	Minimum Balance to Earn APY $100,000 & OVER	
	INTEREST RATE	*ANNUAL PERCENTAGE YIELD (APY)		INTEREST RATE	*ANNUAL PERCENTAGE YIELD (APY)
12 Month	0.40%	0.40%	12 Month	0.40%	0.40%
24 Month	0.50%	0.50%	24 Month	0.50%	0.50%
36 Month	0.60%	0.60%	36 Month	0.60%	0.60%

Interest Bearing Accounts - Variable Rates **

**MONEY MARKET Minimum to open $2,500.00	INTEREST RATE	*ANNUAL PERCENTAGE YIELD (APY)
.01 – 2,499.99	0.05%	0.05%
2,500 - 24,999.99	0.05%	0.05%
25,000 - 49,999.99	0.05%	0.05%
50,000 & OVER	0.10%	0.10%
**MONEY FUND INDEX (MFI) Minimum to open $25,000.00	INTEREST RATE	*ANNUAL PERCENTAGE YIELD (APY)
.01 – 24,999.99	0.02%	0.02%
25,000 – 74,999.99	0.11%	0.11%
75,000 – 99,999.99	0.12%	0.12%
100,000 – 999,999.99	0.12%	0.12%
1,000,000 & OVER	0.13%	0.13%

INTEREST BEARING ACCOUNTS:	INTEREST RATE	*ANNUAL PERCENTAGE YIELD (APY)
**ADVANTAGE Minimum to open $300.00	0.05%	0.05%
**NOW ACCOUNT Minimum to Open $300.00	0.05%	0.05%
**HEALTH SAVINGS ACCOUNT Minimum to open $100.00	0.15%	0.15%
**SAVINGS ACOUNT Minimum to open $100.00	0.15%	0.15%

CDARS Rates

RATES FOR ONE-WAY SELL TRANSACTIONS	MATURITY TERM	INTEREST RATE	*ANNUAL PERCENTAGE YIELD (APY)	MINIMUM BALANCE
Order Date: September 16, 2015	4 Week	0.11%	0.11%	$10,000.00
	13 Week	0.12%	0.12%	$10,000.00
Rates expire at 5:00 PM each Tuesday - New Rates are issued each Thursday	26 Week	0.25%	0.25%	$10,000.00
	52 Week	0.45%	0.45%	$10,000.00
	2 Year	0.75%	0.75%	$10,000.00
	3 Year	1.03%	1.04%	$10,000.00
	5 Year	1.68%	1.69%	$10,000.00

Orders from customers must be received by close of business each Tuesday to be included in this week's transactions. CD's will be purchased on Wednesdays and funds will be debited from the customers account via W/T each Thursday AM.

The Annual Percentage Yields (APYs) are accurate as of Thursday, September 10, 2015

Rates may change at any time without notice.

Note: Fees could reduce the earnings on the above variable accounts. Penalties may be imposed for early withdrawal of Certificate of Deposits (CD's), Individual Retirement Accounts (IRA's), and/or CDARS Accounts.

Member FDIC

U.S. DEPARTMENT OF THE TREASURY

Resource Center

Daily Treasury Yield Curve Rates

Get updates to this content.

XML These data are also available in XML format by clicking on the XML icon.

XSD The schema for the XML is available in XSD format by clicking on the XSD icon.

If you are having trouble viewing the above XML in your browser, click here.

To access interest rate data in the legacy XML format and the corresponding XSD schema, click here.

Select type of Interest Rate Data

Daily Treasury Yield Curve Rates Go

Select Time Period

Current Month Go

Date	1 Mo	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
09/01/15	0.01	0.03	0.26	0.39	0.70	1.03	1.49	1.89	2.17	2.62	2.93
09/02/15	0.01	0.03	0.25	0.37	0.72	1.04	1.52	1.92	2.20	2.66	2.97
09/03/15	0.02	0.02	0.24	0.36	0.71	1.00	1.49	1.90	2.18	2.64	2.95
09/04/15	0.02	0.02	0.23	0.36	0.71	1.00	1.47	1.85	2.13	2.58	2.89
09/08/15	0.02	0.06	0.27	0.39	0.74	1.05	1.53	1.92	2.20	2.66	2.97
09/09/15	0.02	0.03	0.26	0.39	0.75	1.06	1.53	1.91	2.21	2.64	2.96
09/10/15	0.02	0.02	0.25	0.39	0.75	1.06	1.55	1.93	2.23	2.66	2.98
09/11/15	0.04	0.04	0.25	0.40	0.71	1.03	1.52	1.89	2.20	2.63	2.95
09/14/15	0.02	0.07	0.26	0.40	0.73	1.03	1.51	1.88	2.18	2.62	2.95

* 30-year Treasury constant maturity series was discontinued on February 18, 2002 and reintroduced on February 9, 2006. From February 18, 2002 to February 8, 2006, Treasury published alternatives to a 30-year rate. See Long-Term Average Rate for more information.

Treasury discontinued the 20-year constant maturity series at the end of calendar year 1986 and reinstated that series on October 1, 1993. As a result, there are no 20-year rates available for the time period January 1, 1987 through September 30, 1993.

Treasury Yield Curve Rates. These rates are commonly referred to as "Constant Maturity Treasury" rates, or CMTs. Yields are interpolated by the Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The yield values are read from the yield curve at fixed maturities, currently 1, 3 and 6 months and 1, 2, 3, 5, 7, 10, 20, and 30 years. This method provides a yield for a 10 year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity.

Treasury Yield Curve Methodology. The Treasury yield curve is estimated daily using a cubic spline model. Inputs to the model are primarily bid-side yields for on-the-run Treasury securities. See our Treasury Yield Curve Methodology page for details.

Negative Yields and Nominal Constant Maturity Treasury Series Rates (CMTs). Current financial market conditions, in conjunction with extraordinary low levels of interest rates, have resulted in negative yields for some Treasury securities trading in the secondary market. Negative yields for Treasury securities most often reflect highly technical factors in Treasury markets related to the cash and repurchase agreement markets, and are at times unrelated to the time value of money.

As such, Treasury will restrict the use of negative input yields for securities used in deriving interest rates for the Treasury nominal Constant Maturity Treasury series (CMTs). Any CMT input points with negative yields will be reset to zero percent prior to use as inputs in the CMT derivation. This decision is consistent with Treasury not accepting negative yields in Treasury nominal security auctions.

In addition, given that CMTs are used in many statutorily and regulatory determined loan and credit programs as well as for setting interest rates on non-marketable government securities, establishing a floor of zero more accurately reflects borrowing costs related to various programs.

For more information regarding these statistics contact the Office of Debt Management by email at debt.management@do.treas.gov.

Select Year: 2015 Go

The 2015 Florida Statutes

Title XIV TAXATION AND FINANCE	Chapter 218 FINANCIAL MATTERS PERTAINING TO POLITICAL SUBDIVISIONS	View Entire Chapter

218.415 Local government investment policies.—Investment activity by a unit of local government must be consistent with a written investment plan adopted by the governing body, or in the absence of the existence of a governing body, the respective principal officer of the unit of local government and maintained by the unit of local government or, in the alternative, such activity must be conducted in accordance with subsection (17). Any such unit of local government shall have an investment policy for any public funds in excess of the amounts needed to meet current expenses as provided in subsections (1)-(16), or shall meet the alternative investment guidelines contained in subsection (17). Such policies shall be structured to place the highest priority on the safety of principal and liquidity of funds. The optimization of investment returns shall be secondary to the requirements for safety and liquidity. Each unit of local government shall adopt policies that are commensurate with the nature and size of the public funds within its custody.

(1) SCOPE.—The investment policy shall apply to funds under the control of the unit of local government in excess of those required to meet current expenses. The investment policy shall not apply to pension funds, including those funds in chapters 175 and 185, or funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

(2) INVESTMENT OBJECTIVES.—The investment policy shall describe the investment objectives of the unit of local government. Investment objectives shall include safety of capital, liquidity of funds, and investment income, in that order.

(3) PERFORMANCE MEASUREMENT.—The investment policy shall specify performance measures as are appropriate for the nature and size of the public funds within the custody of the unit of local government.

(4) PRUDENCE AND ETHICAL STANDARDS.—The investment policy shall describe the level of prudence and ethical standards to be followed by the unit of local government in carrying out its investment activities with respect to funds described in this section. The unit of local government shall adopt the Prudent Person Rule, which states that: "Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

(5) LISTING OF AUTHORIZED INVESTMENTS.—The investment policy shall list investments authorized by the governing body of the unit of local government, subject to the provisions of subsection (16). Investments not listed in the investment policy are prohibited. If the policy authorizes investments in derivative products, the policy must require that the unit of local government's officials responsible for making investment decisions or chief financial officer have developed sufficient understanding of the derivative products and have the expertise to manage them. For purposes of this subsection, a

"derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or index or asset values. If the policy authorizes investments in reverse repurchase agreements or other forms of leverage, the policy must limit the investments to transactions in which the proceeds are intended to provide liquidity and for which the unit of local government has sufficient resources and expertise.

(6) MATURITY AND LIQUIDITY REQUIREMENTS.—The investment policy shall require that the investment portfolio is structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the investment policy should direct that, to the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

(7) PORTFOLIO COMPOSITION.—The investment policy shall establish guidelines for investments and limits on security issues, issuers, and maturities. Such guidelines shall be commensurate with the nature and size of the public funds within the custody of the unit of local government.

(8) RISK AND DIVERSIFICATION.—The investment policy shall provide for appropriate diversification of the investment portfolio. Investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically, as deemed necessary by the appropriate management staff.

(9) AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS.—The investment policy should specify the authorized securities dealers, issuers, and banks from whom the unit of local government may purchase securities.

(10) THIRD-PARTY CUSTODIAL AGREEMENTS.—The investment policy shall provide appropriate arrangements for the holding of assets of the unit of local government. Securities should be held with a third party; and all securities purchased by, and all collateral obtained by, the unit of local government should be properly designated as an asset of the unit of local government. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by an authorized staff member of the unit of local government. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

(11) MASTER REPURCHASE AGREEMENT.—The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

(12) BID REQUIREMENT.—The investment policy shall require that the unit of local government's staff determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in subsection (2) must be selected.

(13) INTERNAL CONTROLS.—The investment policy shall provide for a system of internal controls and operational procedures. The unit of local government's officials responsible for making investment decisions or chief financial officer shall establish a system of internal controls which shall be in writing and made a part of the governmental entity's operational procedures. The investment policy shall provide for review of such controls by independent auditors as part of any financial audit periodically

required of the unit of local government. The internal controls should be designed to prevent losses of funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the unit of local government.

(14) CONTINUING EDUCATION.—The investment policy shall provide for the continuing education of the unit of local government's officials responsible for making investment decisions or chief financial officer. Such officials must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products.

(15) REPORTING.—The investment policy shall provide for appropriate annual or more frequent reporting of investment activities. To that end, the governmental entity's officials responsible for making investment decisions or chief financial officer shall prepare periodic reports for submission to the legislative and governing body of the unit of local government, which shall include securities in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

(16) AUTHORIZED INVESTMENTS; WRITTEN INVESTMENT POLICIES.—Those units of local government electing to adopt a written investment policy as provided in subsections (1)-(15) may by resolution invest and reinvest any surplus public funds in their control or possession in:

(a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.

(b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

(c) Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.

(d) Direct obligations of the United States Treasury.

(e) Federal agencies and instrumentalities.

(f) Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.

(g) Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

(h) Other investments authorized by law or by ordinance for a county or a municipality.

(i) Other investments authorized by law or by resolution for a school district or a special district.

(17) AUTHORIZED INVESTMENTS; NO WRITTEN INVESTMENT POLICY.—Those units of local government electing not to adopt a written investment policy in accordance with investment policies developed as provided in subsections (1)-(15) may invest or reinvest any surplus public funds in their control or possession in:

(a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.

(b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

(c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.

(d) Direct obligations of the U.S. Treasury.

The securities listed in paragraphs (c) and (d) shall be invested to provide sufficient liquidity to pay obligations as they come due.

(18) SECURITIES; DISPOSITION.—

(a) Every security purchased under this section on behalf of the governing body of a unit of local government must be properly earmarked and:

1. If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the governing body's interest in the security;

2. If in book entry form, must be held for the credit of the governing body by a depository chartered by the Federal Government, the state, or any other state or territory of the United States which has a branch or principal place of business in this state as defined in s. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this state, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or

3. If physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

(b) The unit of local government's governing body may also receive bank trust receipts in return for investment of surplus funds in securities. Any trust receipts received must enumerate the various securities held, together with the specific number of each security held. The actual securities on which the trust receipts are issued may be held by any bank depository chartered by the Federal Government, this state, or any other state or territory of the United States which has a branch or principal place of business in this state as defined in s. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this state.

(19) SALE OF SECURITIES.—When the invested funds are needed in whole or in part for the purposes originally intended or for more optimal investments, the unit of local government's governing body may sell such investments at the then-prevailing market price and place the proceeds into the proper account or fund of the unit of local government.

(20) PREEXISTING CONTRACT.—Any public funds subject to a contract or agreement existing on October 1, 2000, may not be invested contrary to such contract or agreement.

(21) PREEMPTION.—Any provision of any special act, municipal charter, or other law which prohibits or restricts a local governmental entity from complying with this section or any rules adopted under this section is void to the extent of the conflict.

(22) AUDITS.—Certified public accountants conducting audits of units of local government pursuant to s. 218.39 shall report, as part of the audit, whether or not the unit of local government has complied with this section.

(23) AUTHORIZED DEPOSITS.—In addition to the investments authorized for local governments in subsections (16) and (17) and notwithstanding any other provisions of law, a unit of local government may deposit any portion of surplus public funds in its control or possession in accordance with the following conditions:

(a) The funds are initially deposited in a qualified public depository, as defined in s. 280.02, selected by the unit of local government.

(b) The selected depository arranges for depositing the funds in financial deposit instruments insured by the Federal Deposit Insurance Corporation in one or more federally insured banks or savings and loan associations, wherever located, for the account of the unit of local government.

(c) The full amount of the principal and accrued interest of each financial deposit instrument is insured by the Federal Deposit Insurance Corporation.

(d) The selected depository acts as custodian for the unit of local government with respect to each financial deposit instrument issued for its account.

History.—s. 1, ch. 95-194; s. 2, ch. 97-9; s. 3, ch. 2000-264; ss. 66, 141, ch. 2001-266; s. 2, ch. 2005-126; s. 1, ch. 2007-89; s. 42, ch. 2008-4; s. 2, ch. 2009-140.

Local Government Investment Pools

Type: Best Practice

Approved by GFOA's Executive Board: October 2008

Background:

In many states, the state treasurer or the authorized governing board of another governmental entity (such as a county) oversees a pooled investment fund that operates like a money market mutual fund for the exclusive benefit of governments within the entitys jurisdiction.

Unlike mutual funds, however, local government investment pools (LGIPs) are not registered with the Securities and Exchange Commission (SEC) and are exempt from SEC regulatory requirements because they fall under a governmental exclusion clause. While this exemption allows pools greater flexibility, it also reduces investor protection. Investments in these pools are not insured or guaranteed and substantial losses have occurred in the past.

These pools typically combine the cash of participating jurisdictions and invest the cash in securities allowed under the states laws regarding government investments. By pooling funds, participating governments benefit from economies of scale, full-time portfolio management, diversification, and liquidity (especially in the case of pools that seek a constant net asset value of $1.00). Interest is normally allocated to the participants on a daily basis, proportionate to the size of the investment. Most pools offer a check writing or wire transfer feature that adds value as a cash management tool.

Government Sponsored versus Joint Powers Agreement Pools

Local government investment pools (LGIPs) may be authorized under state statutes and sponsored by the state or local governments, or may be set up through intergovernmental agreements known as joint powers agreements. In several states, local governments have joined together through joint powers agreements to sponsor the creation of LGIPs that operate independent of the state government. The investment authorization to pool funds is generally derived from state statutes that allow governments to perform collectively any service or administrative function that they may undertake individually. A board of trustees, normally made up of public officials, oversees these pools and typically selects a financial services firm to provide services such as the following: investment management, custodial services, participant record keeping, independent audits, and legal services. These pools may invest only in securities otherwise allowed to individual governments.

Whether the LGIP is state-sponsored or created through a joint powers agreement, it is important to be aware that the authorizing entity typically does not guarantee investments in the LGIP.

Not All Pools Are the Same

Although there are many similarities between the various LGIPs, there are also differences. One significant difference among pools that must be understood before placing money in them is their investment objectives. When LGIPs were first created, most emulated money market mutual funds with the objective of maintaining a constant Net Asset Value (NAV) of $1.00 and providing excellent liquidity for the investor. Such LGIPs invest in short-term securities with average maturities sufficiently short to avoid market price risk. The constant NAV pools are appropriate investments for funds that must be liquid and have virtually no price volatility.

There are also government investment pools that have an investment objective of maximizing return. These pools are variable Net Asset Value (NAV) pools and introduce market risk to the investor through a fluctuating NAV. They invest in longer-term securities, thus subjecting their portfolios and their participants to greater market price volatility. The principal invested in the pool may not be the same principal returned to the investor, depending on the movement of interest rates. While they may be appropriate for longer-term strategies, these pools ***would not*** be appropriate for funds that must be liquid and stable.

Other differences among pools include legal structure, authorized investments, procedures for depositing and withdrawing money, and services provided to participants. Each pool has a process that a participant must complete, including documents to be signed and banking information to be provided, in order to establish an account. Sources of information for evaluating pools may include a pool offering statement, investment policy or audited financial statements.

Rated LGIPs[1]

Rating agencies rate constant dollar LGIPs using the same criteria that they use for rating money market mutual funds. These ratings are based on safety of principal and ability to maintain a NAV of $1. Fluctuating NAV pool ratings include a volatility factor. Pool ratings can provide an additional method of due diligence.

Recommendation:
GFOA makes the following recommendations to governments that invest in or are considering investing in Local Government Investment Pools (LGIPs).

Government investors should:

1. Confirm LGIPs are eligible investments under governing law and the governments investment policy.
2. Fully understand the investment objectives, legal structure and operating procedures of the investment pool before they place any money in the pool. When evaluating an LGIP, investors should read the pools offering statement, investment policy, and audited financial statements carefully.
3. Pay particular attention to the investment objectives of a pool to determine whether the pool seeks to maintain a constant NAV of $1.00 or could have a fluctuating NAV. This information is essential in order to determine which pools are appropriate for liquidity strategies (constant NAV) and which ones are only appropriate for longer-term strategies (fluctuating NAV).
4. Review the pools list of eligible securities to determine compliance with the participating governments investment policy. Portfolio maturity restrictions and diversification policies should be evaluated to determine potential market and credit risks.
5. Evaluate portfolio pricing practices.
6. Review custodial policies (e.g., delivery versus payment).
7. Evaluate the qualifications and experience of the portfolio manager, management team and/or investment adviser.
8. Review the earnings performance history relative to other investment alternatives. On constant NAV LGIP funds, the current yield of the portfolio can be compared with competitive institutional money market funds. or overnight repurchase agreement rates. Standard & Poor's releases an index of LGIPs on a weekly basis that reports the average 7- and 30-day yields and average maturities of LGIPs holding its highest ratings (AAAm and AAm). Any pool with above-average yields or longer maturities should be further evaluated for risk.
9. Evaluate variable NAV LGIPs in relation to appropriate benchmarks.
10. Although ratings are not mandatory, seek LGIPs with the highest ratings, where possible.
11. Fully understand procedures for establishing an account, making deposits and withdrawals, and allocating interest earnings. There may be limits to the number of deposits and withdrawals in a month. There may also be dollar limits for deposits, withdrawals and balances. Deposits or withdrawals may require advanced notification, especially if they are large. If so, investors should be aware of the deadlines.
12. When selecting an LGIP, consider any additional services offered by an LGIP, such as: check writing, wire transfers, issuing paying agent services, setting up multiple accounts for an entity, and arbitrage accounting for bond funds.
13. Confirm that an LGIP provides regular, detailed reporting to pool participants and follows accepted reporting standards. GFOA recommends that pool administrators, on a daily basis, determine the market value of all securities in the pool and report this information to all pool participants on at least a monthly basis. These values should be obtained from a reputable and independent source. This information should be included in the report to the governing body prepared on at least a quarterly basis.
14. Be aware that an LGIP may be a part of a diversified portfolio but that a portfolio comprised solely of an LGIP may not provide the government entity with appropriate diversification.

Committee: Treasury and Investment Management
Notes: [1] Not all LGIPs are rated.

References:
- *Investing Public Funds, Second Edition*, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.
- *Elected Officials Guide Investing, Second Edition*, Sofia Anastopoulos, GFOA, 2007.
- GFOA Best Practice, Diversification of Investments in a Portfolio, 2007.
- *Standard & Poors Guide to LGIPs*

Download

203 N. LaSalle Street - Suite 2700 | Chicago, IL 60601-1210 | Phone: (312) 977-9700 - Fax: (312) 977-4806

Local Government Investment Pools

Type: Best Practice

Approved by GFOA's Executive Board: October 2008

Background:

In many states, the state treasurer or the authorized governing board of another governmental entity (such as a county) oversees a pooled investment fund that operates like a money market mutual fund for the exclusive benefit of governments within the entitys jurisdiction.

Unlike mutual funds, however, local government investment pools (LGIPs) are not registered with the Securities and Exchange Commission (SEC) and are exempt from SEC regulatory requirements because they fall under a governmental exclusion clause. While this exemption allows pools greater flexibility, it also reduces investor protection. Investments in these pools are not insured or guaranteed and substantial losses have occurred in the past.

These pools typically combine the cash of participating jurisdictions and invest the cash in securities allowed under the states laws regarding government investments. By pooling funds, participating governments benefit from economies of scale, full-time portfolio management, diversification, and liquidity (especially in the case of pools that seek a constant net asset value of $1.00). Interest is normally allocated to the participants on a daily basis, proportionate to the size of the investment. Most pools offer a check writing or wire transfer feature that adds value as a cash management tool.

Government Sponsored versus Joint Powers Agreement Pools

Local government investment pools (LGIPs) may be authorized under state statutes and sponsored by the state or local governments, or may be set up through intergovernmental agreements known as joint powers agreements. In several states, local governments have joined together through joint powers agreements to sponsor the creation of LGIPs that operate independent of the state government. The investment authorization to pool funds is generally derived from state statutes that allow governments to perform collectively any service or administrative function that they may undertake individually. A board of trustees, normally made up of public officials, oversees these pools and typically selects a financial services firm to provide services such as the following: investment management, custodial services, participant record keeping, independent audits, and legal services. These pools may invest only in securities otherwise allowed to individual governments.

Whether the LGIP is state-sponsored or created through a joint powers agreement, it is important to be aware that the authorizing entity typically does not guarantee investments in the LGIP.

Not All Pools Are the Same

Although there are many similarities between the various LGIPs, there are also differences. One significant difference among pools that must be understood before placing money in them is their investment objectives. When LGIPs were first created, most emulated money market mutual funds with the objective of maintaining a constant Net Asset Value (NAV) of $1.00 and providing excellent liquidity for the investor. Such LGIPs invest in short-term securities with average maturities sufficiently short to avoid market price risk. The constant NAV pools are appropriate investments for funds that must be liquid and have virtually no price volatility.

There are also government investment pools that have an investment objective of maximizing return. These pools are variable Net Asset Value (NAV) pools and introduce market risk to the investor through a fluctuating NAV. They invest in longer-term securities, thus subjecting their portfolios and their participants to greater market price volatility. The principal invested in the pool may not be the same principal returned to the investor, depending on the movement of interest rates. While they may be appropriate for longer-term strategies, these pools ***would not*** be appropriate for funds that must be liquid and stable.

Other differences among pools include legal structure, authorized investments, procedures for depositing and withdrawing money, and services provided to participants. Each pool has a process that a participant must complete, including documents to be signed and banking information to be provided, in order to establish an account. Sources of information for evaluating pools may include a pool offering statement, investment policy or audited financial statements.

Rated LGIPs[1]

Rating agencies rate constant dollar LGIPs using the same criteria that they use for rating money market mutual funds. These ratings are based on safety of principal and ability to maintain a NAV of $1. Fluctuating NAV pool ratings include a volatility factor. Pool ratings can provide an additional method of due diligence.

Recommendation:
GFOA makes the following recommendations to governments that invest in or are considering investing in Local Government Investment Pools (LGIPs).

Government investors should:

1. Confirm LGIPs are eligible investments under governing law and the governments investment policy.
2. Fully understand the investment objectives, legal structure and operating procedures of the investment pool before they place any money in the pool. When evaluating an LGIP, investors should read the pools offering statement, investment policy, and audited financial statements carefully.
3. Pay particular attention to the investment objectives of a pool to determine whether the pool seeks to maintain a constant NAV of $1.00 or could have a fluctuating NAV. This information is essential in order to determine which pools are appropriate for liquidity strategies (constant NAV) and which ones are only appropriate for longer-term strategies (fluctuating NAV).
4. Review the pools list of eligible securities to determine compliance with the participating governments investment policy. Portfolio maturity restrictions and diversification policies should be evaluated to determine potential market and credit risks.
5. Evaluate portfolio pricing practices.
6. Review custodial policies (e.g., delivery versus payment).
7. Evaluate the qualifications and experience of the portfolio manager, management team and/or investment adviser.
8. Review the earnings performance history relative to other investment alternatives. On constant NAV LGIP funds, the current yield of the portfolio can be compared with competitive institutional money market funds, or overnight repurchase agreement rates. Standard & Poor's releases an index of LGIPs on a weekly basis that reports the average 7- and 30-day yields and average maturities of LGIPs holding its highest ratings (AAAm and AAm). Any pool with above-average yields or longer maturities should be further evaluated for risk.
9. Evaluate variable NAV LGIPs in relation to appropriate benchmarks.
10. Although ratings are not mandatory, seek LGIPs with the highest ratings, where possible.
11. Fully understand procedures for establishing an account, making deposits and withdrawals, and allocating interest earnings. There may be limits to the number of deposits and withdrawals in a month. There may also be dollar limits for deposits, withdrawals and balances. Deposits or withdrawals may require advanced notification, especially if they are large. If so, investors should be aware of the deadlines.
12. When selecting an LGIP, consider any additional services offered by an LGIP, such as: check writing, wire transfers, issuing paying agent services, setting up multiple accounts for an entity, and arbitrage accounting for bond funds.
13. Confirm that an LGIP provides regular, detailed reporting to pool participants and follows accepted reporting standards. GFOA recommends that pool administrators, on a daily basis, determine the market value of all securities in the pool and report this information to all pool participants on at least a monthly basis. These values should be obtained from a reputable and independent source. This information should be included in the report to the governing body prepared on at least a quarterly basis.
14. Be aware that an LGIP may be a part of a diversified portfolio but that a portfolio comprised solely of an LGIP may not provide the government entity with appropriate diversification.

Committee: Treasury and Investment Management
Notes: [1] Not all LGIPs are rated.

References:
- *Investing Public Funds, Second Edition*, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.
- *Elected Officials Guide Investing, Second Edition*, Sofia Anastopoulos, GFOA, 2007.
- GFOA Best Practice, Diversification of Investments in a Portfolio, 2007.
- *Standard & Poors Guide to LGIPs*

Download

203 N. LaSalle Street - Suite 2700 | Chicago, IL 60601-1210 | Phone: (312) 977-9700 - Fax: (312) 977-4806